

UBUNTU MUNICIPALITY

MEDIUM TERM REVENUE AND EXPENDITURE FRAMEWORK 2016/2017 TO 2018/2019

Ubuntu Municipality



*menswaardigheid • hoop • erfenis
ubuntu • ithemba • izithethe
humanity • hope • heritage*

ANNUAL BUDGET OF

UBUNTU MUNICIPALITY

2016/17 TO 2018/19
MEDIUM TERM REVENUE AND
EXPENDITURE FORECASTS

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Abbreviations and Acronyms

AMR	Automated Meter Reading	ℓ	litre
ASGISA	Accelerated and Shared Growth Initiative	LED	Local Economic Development
BPC	Budget Planning Committee	MEC	Member of the Executive Committee
CBD	Central Business District	MFMA	Municipal Financial Management Act Programme
CFO	Chief Financial Officer	MIG	Municipal Infrastructure Grant
MM	Municipal Manager	MMC	Member of Mayoral Committee
CPI	Consumer Price Index	MPRA	Municipal Properties Rates Act
CRRF	Capital Replacement Reserve Fund	MSA	Municipal Systems Act
DBSA	Development Bank of South Africa	MTEF	Medium-term Expenditure Framework
DoRA	Division of Revenue Act	MTREF	Medium-term Revenue and Expenditure Framework
DWA	Department of Water Affairs	NERSA	National Electricity Regulator South Africa
EE	Employment Equity	NGO	Non-Governmental organisations
EEDSM	Energy Efficiency Demand Side Management	NKPIs	National Key Performance Indicators
EM	Executive Mayor	OHS	Occupational Health and Safety
FBS	Free basic services	OP	Operational Plan
GAMAP	Generally Accepted Municipal Accounting Practice	PBO	Public Benefit Organisations
GDP	Gross domestic product	PHC	Provincial Health Care
GDS	Gauteng Growth and Development Strategy	PMS	Performance Management System
GFS	Government Financial Statistics	PPE	Property Plant and Equipment
GRAP	General Recognised Accounting Practice	PPP	Public Private Partnership
HR	Human Resources	PTIS	Public Transport Infrastructure System
HSRC	Human Science Research Council	RG	Restructuring Grant
IDP	Integrated Development Strategy	RSC	Regional Services Council
IT	Information Technology	SALGA	South African Local Government Association
kℓ	kilolitre	SAPS	South African Police Service
km	kilometre	SDBIP	Service Delivery Budget Implementation Plan
KPA	Key Performance Area	SMME	Small Micro and Medium Enterprises
KPI	Key Performance Indicator		
kWh	kilowatt		

Part 1 – Annual Budget

1.1 Vision & Mission

Our Vision

Ubuntu Municipality commit ourselves to be developmental and economically viable to ensure a better life for all.

Our Mission

We strive to achieve — Effective and efficient service delivery — Optimal human and natural resource development — Local economic growth and development, job creation and poverty alleviation — A vibrant tourism industry — To participate in the fight to reduce the infection rate and lessen the impact of HIV/aids, alcohol abuse and other communicable diseases — A safe, secure and community friendly environment — To ensure sound and sustainable management of Financial and Fiscal affairs of the Municipality.

1.2 Mayor's Report

Section 215 of the Constitution of the Republic of South Africa requires that all National, Provincial and Municipal budgets and budgetary processes promote the following principles -

- Transparency;
- Accountability; and
- The effective financial management of the economy, debt and the public sector.

In order to fulfill this constitutional obligation towards the citizens of South Africa, sound financial principles and policies should be adopted and applied by municipalities at all times.

Most municipalities in South Africa, with Ubuntu Municipality being no exception, are faced with numerous community needs and infrastructure backlogs. On the other hand, the cash resources available to eradicate infrastructure backlogs and to attend to the vast number of needs are very limited. It is thus the responsibility of Council to strike the perfect balance between delivering high quality basic services while also ensuring that the municipality remain financially viable.

The municipality has been experiencing financial difficulties over recent years to the extent that all financial resources are almost depleted, while there are still significant liabilities that need to be settled.

From a sustainability point of view, it is of the utmost importance to ensure that budgets are implemented where cash resources are maintained (or even improved) at acceptable levels. In order to ensure that acceptable levels of cash are maintained at all times, the municipality should continuously explore the following options:

- Cut back on operational expenditure to a point where the budget will be cash funded. Council should refrain from allocating resources to non-priority expenditure items.
- Limit capital additions from own resources in times when own resources are scarce.

- Raise external loans (within the borrowing limits of the municipality) for capital purposes to alleviate the pressure on cash resources of the municipality.

The following longer term strategies should also be explored:

- Explore avenues to increase internal revenue streams. Currently the only option for the municipality is to increase rates and tariffs. The municipality should however guard against excessive increases that might be counterproductive and lead to an increase in non-payment;
- Ensure that all departments with the ability to generate own revenue become cost reflective (ie traffic department). These departments should not be financed from property rates or service charges; and/or
- Explore further avenues to obtain more grant funding for operating and capital purposes (keeping in mind the additional maintenance expenditure that will still be the liability of the municipality even though the additional capital acquisitions are financed from external sources).

A full viability analysis will be presented in Section 1.4 of this report.

The main objective of a municipal budget is to allocate realistically expected resources to the service delivery goals or performance objectives identified as priorities in the Integrated Development Plan. National Treasury's MFMA Circular No. 74 and No. 75 was also used to guide the compilation of the 2015/16 MTREF.

The Medium Term Budget Policy Statement (MTBPS) 2014 highlights that South Africa's economic performance has deteriorated over the past several years. Gross domestic product (GDP) growth of 1.4 per cent is estimated in 2014, down from 3.6 per cent in 2011. GDP growth is projected to improve over the medium term as infrastructure constraints ease, private investment recovers and exports grow. Economic growth is expected to rise gradually over the medium term, reaching 3 per cent by 2017. Inadequate electricity supply, however, will impose a serious constraint on output and exports over the short term.

Fiscal constraints mean that transfers to municipalities will grow more slowly in the period ahead than they have in the past. Accordingly, municipalities must renew their focus on core service delivery functions and reduce costs without adversely affecting basic services. Furthermore, municipalities must ensure that efficiency gains, eradication of non-priority spending (cost containment measures) and the reprioritization of expenditure relating to core infrastructure continue to inform the planning framework.

The state of the economy has an adverse effect on the consumers. As a result municipalities' revenues and cash flows are expected to remain under pressure. Furthermore municipalities should carefully consider affordability of tariff increases, especially as it relates to domestic consumers while considering the level of services versus the associated cost. To assist municipalities, Government will also provide support to improve revenue collection.

The Medium Term Strategic Framework (MTSF) priorities for structural reform over the period ahead include:

- Building the capacity of local government through the “**back to basics**” approach which will focus on improving service delivery, accountability and financial management. Local government should be effective and efficient; and this will be measured by its ability to perform the basic mandate of service delivery.
- Reshaping South Africa’s urban environment through integrated spatial planning and an expansion of the municipal debt market. Municipalities play a critical role in growing the economy through well-planned and well-managed urbanization. In order to achieve this, large municipalities require massive investment to stimulate growth, maintain infrastructure and ensure that basic services are provided for growing populations. Over the next three years, the government will roll-out a new approach to local government infrastructure financing. Incentives will be introduced to encourage large urban municipalities to promote more compact, efficient and equitable cities. Planning will focus on developing mixed-use precincts that can help to catalyze economic activity, and on upgrading informal settlements. Government will also aim to improve the management of infrastructure financed from grants and own sources, with emphasis being placed on the ability of municipalities to expand their own contribution to infrastructure development.

Sustainable job creation remains a national priority. Ubuntu Municipality is committed to this cause through the full participation in the Expanded Public Works Program (EPWP). The municipality does however recognize the fact that the EPWP incentive provided by National Government will not succeed as a stand-alone solution to address unemployment and poverty in the municipal area and for this reason the municipality will always strive to do more to assist the community. However, Council (and the community) should recognize the fact that it is very important for the municipality to be financially viable first, before it will really be in a position to assist the community that is very much in need. A turn-around strategy will have to be put in place before service delivery comes to a standstill.

The Integrated Development Plan (IDP) is a 5 year strategic developmental plan, setting strategic and budget priorities as required in terms of the Municipal Systems Act of 2000. It is a plan to help us set our budget priorities, so in essence it indicates how Ubuntu Municipality will spend its money for the next five years. The IDP should be aligned with the development plans of provincial and national government, and is agreed upon between Ubuntu Municipality and the residents during the public participation process. Therefore the IDP enables Ubuntu Municipality to make the best use of scarce resources and it also enables the councilors to make decisions based on the needs and priorities of their communities.

With the IDP, Ubuntu Municipality can:

- Develop a clear vision
- Identify its key development priorities
- Formulate appropriate strategies
- Develop the appropriate organizational structure and systems
- Align resources with development priorities

In view of the aforementioned, the following table is a consolidated overview of the proposed 2015/16 Medium-term Revenue and Expenditure Framework:

Table 1 Consolidated Operating Overview of the 2016/17 MTREF (R'000)

R thousand	Current Year 2015/16	2016/17 Medium Term Revenue & Expenditure Framework		
	Forecast	Budget Year 2016/17	Budget Year +1 2017/18	Budget Year +2 2018/19
Total Operating Revenue	120,783	126,452	131,226	140,254
Total Operating Expenditure	118,168	126,438	131,204	140,183
<i>Surplus/(Deficit) before capital transfers</i>	2,615	14	22	71
Transferred Recognised Capital	8,322	9,514	13,098	11,914
<i>Surplus/(Deficit) for the year</i>	10,936	9,528	13,120	11,985

Table 2 Consolidated Capital Overview of the 2015/16 MTREF (R'000)

NC071 Ubuntu - Table A5 Budgeted Capital Expenditure by vote, standard classification and funding					
Vote Description	Ref	Current Year 2015/16	2016/17 Medium Term Revenue & Expenditure Framework		
	1	Full Year Forecast	Budget Year 2016/17	Budget Year +1 2017/18	Budget Year +2 2018/19
R thousand					
Capital Expenditure - Standard					
<i>Governance and administration</i>		—	—	—	—
<i>Community and public safety</i>		—	—	—	—
<i>Economic and environmental services</i>		8 322	9 514	10 098	10 414
<i>Trading services</i>		—	—	3 000	1 500
Electricity		—	—	3 000	1 500
<i>Other</i>		—	—	—	—
Total Capital Expenditure - Standard	3	8 322	9 514	13 098	11 914

1.3 Council Resolutions

It is recommended that the Council approves and adopts the following resolutions for the annual budget:

The Council of Ubuntu Municipality, acting in terms of section 24 of the Municipal Finance Management Act, (Act 56 of 2003) approves and adopts:

- 1.1. The annual budget of the municipality for the financial year 2016/17 and the multi-year and single-year capital appropriations as set out in the following tables in part 1.8 of this report
 - 1.1.1. Budgeted Financial Performance (revenue and expenditure by standard classification) as contained in Table A2;
 - 1.1.2. Budgeted Financial Performance (revenue and expenditure by municipal vote) as contained in Table A3;
 - 1.1.3. Budgeted Financial Performance (revenue by source and expenditure by type) as contained in Table A4; and
 - 1.1.4. Multi-year and single-year capital appropriations by municipal vote and standard classification and associated funding by source as contained in Table A5.
- 1.2. The financial position, cash flow budget, cash-backed reserve/accumulated surplus, asset management and basic service delivery targets are approved as set out in the following tables in part 1.8 of this report:
 - 1.2.1. Budgeted Financial Position as contained in Table A6;
 - 1.2.2. Budgeted Cash Flows as contained in Table A7;
 - 1.2.3. Cash backed reserves and accumulated surplus reconciliation as contained in Table A8;
 - 1.2.4. Asset management as contained in Table A9; and
 - 1.2.5. Basic service delivery measurement as contained in Table A10.
2. The Council of Ubuntu Municipality, acting in terms of section 75A of the Local Government: Municipal Systems Act (Act 32 of 2000) approves and adopts with effect from 1 July 2015:
 - 2.1. the tariffs for property rates – as set out in Annexure A,
 - 2.2. the tariffs for electricity – as set out in Annexure A
 - 2.3. the tariffs for the supply of water – as set out in Annexure A
 - 2.4. the tariffs for sanitation services – as set out in Annexure A
 - 2.5. the tariffs for solid waste services – as set out in Annexure A
3. The Council of Ubuntu Municipality, acting in terms of 75A of the Local Government: Municipal Systems Act (Act 32 of 2000) approves and adopts with effect from 1 July 2015 the tariffs for other services, as set out in Annexure A.
4. The Council of Ubuntu Municipality take note of the fact that budget is not funded in Table A8 due to a negative working capital requirement.

1.4 Executive Summary

For Ubuntu Municipality to continue improving the quality of services provided to its citizens it needs to generate the required revenue to fund the expenditure program of the municipality. In these tough economic times strong revenue management is fundamental to the financial sustainability of every municipality. The reality is that we are faced with development backlogs and poverty.

The expenditure required to address these challenges will inevitably always exceed available funding; hence difficult choices have to be made in relation to tariff increases and balancing expenditures against realistically anticipated revenues.

In view of the aforementioned, the following table is a consolidated overview of the proposed 2015/16 Medium-term Revenue and Expenditure Framework:

Table 3 Consolidated Overview of the 2015/16 MTREF (R'000)

R thousand	Current Year 2015/16	2016/17 Medium Term Revenue & Expenditure Framework		
	Forecast	Budget Year 2016/17	Budget Year +1 2017/18	Budget Year +2 2018/19
Total Operating Revenue	120,783	126,452	131,226	140,254
Total Operating Expenditure	118,168	126,438	131,204	140,183
<i>Surplus/(Deficit) before capital transfers</i>	2,615	14	22	71
Transferred Recognised Capital	8,322	9,514	13,098	11,914
<i>Surplus/(Deficit) for the year</i>	10,936	9,528	13,120	11,985

As can be seen from the above, the growth in own revenue is not keeping up with the growth in operating expenditure over the MTREF. This will result in the scenario where insufficient revenue is generated to cover all operating expenditure.

We recognize the fact that there are significant non-cash items included in operating expenditure (such as depreciation), and ultimately the municipality should review the impact that the proposed budget will have on the cash position of the municipality before reaching any conclusions with regards to the affordability of the planned expenditure program.

As a rule of thumb, all trading services (water, electricity, refuse and sanitation) should be cost reflective, meaning that sufficient revenue is raised to cover all the costs associated with the provision of the service. Service delivery is currently under severe pressure at the municipality. This is mainly due to the fact that cost associated with services (i.e. bulk purchases) is escalating at a rapid pace. The recovery rate of receivables is also currently very low at a level of approximately 47.3% resulting in material charges for debt impairment.

Electricity is historically the largest “profit making” service and for many years assisted municipalities to ensure that budgets are funded. However, with significant increases in the cost of bulk electricity (provided by Eskom) and the inability of the municipality to pass these cost increases down to the Ubuntu Municipality consumer, the municipality is not able to generate a gross profit in delivering electricity to the consumers. With a proposed tariff increase in the service charges and the bulk purchase price of 6.6% CPI and 6.47% per cent respectively (proposed by NERSA), this loss on the service is set to increase over the MTREF:

With the cost of bulk purchases largely beyond the control of the municipality, and the constraints with regards to excessive consumer tariff increases over and above already provided in the budget, the municipality should investigate the service to reduce the deficit. One option is to investigate illegal connections to reduce distribution losses to a minimum. Internal consumption should also be limited.

Other than the trading services, the municipality should also ensure that departments with the ability to generate its own revenue are cost reflective as far possible.

FINANCIAL VIABILITY

Financial viability and sustainability is one of the major cornerstones that needs to remain intact to ensure that municipalities follow through on their constitutional obligation to deliver high quality basic services to the citizens of South Africa.

From the perspective of a municipality, the focus point of any sustainability and viability analysis revolves firmly around the municipality's ability to implement policies that contributes to the preservation of cash resources over the long term.

FINANCIAL PERFORMANCE INDICATORS

NC071 Ubuntu - Supporting Table SA8 Performance indicators and benchmarks								
Description of financial indicator	Basis of calculation	Current Year 2015/16				2016/17 Medium Term Revenue & Expenditure Framework		
		Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2016/17	Budget Year +1 2017/18	Budget Year +2 2018/19
Borrowing Management								
Credit Rating								
Capital Charges to Operating Expenditure	Interest & Principal Paid /Operating Expenditure	1.6%	1.9%	1.9%	1.9%	1.1%	1.1%	1.1%
Capital Charges to Own Revenue	Finance charges & Repayment of borrowing /Own Revenue	2.2%	2.5%	2.5%	2.5%	1.5%	1.5%	1.4%
Borrowed funding of 'own' capital expenditure	Borrowing/Capital expenditure ex cl. transfers and grants and contributions	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Safety of Capital								
Gearing	Long Term Borrowing/ Funds & Reserves	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Liquidity								
Current Ratio	Current assets/current liabilities	0.2	0.2	0.2	0.2	0.6	0.8	1.0
Current Ratio adjusted for aged debtors	Current assets less debtors > 90 days/current liabilities	0.2	0.2	0.2	0.2	0.6	0.8	1.0
Liquidity Ratio	Monetary Assets/Current Liabilities	0.0	0.0	0.0	0.0	0.0	0.2	0.4
Revenue Management								
Annual Debtors Collection Rate (Payment Level %)	Last 12 Mths Receipts/Last 12 Mths Billing	60.4%	69.5%	69.5%	69.5%	69.5%	101.4%	101.4%
Current Debtors Collection Rate (Cash receipts % of Ratepayer & Other revenue)		69.5%	69.5%	69.5%	69.5%	101.4%	101.4%	101.3%
Outstanding Debtors to Revenue	Total Outstanding Debtors to Annual Revenue	3.2%	3.1%	3.1%	3.1%	15.5%	15.8%	15.7%
Longstanding Debtors Recovered	Debtors > 12 Mths Recovered/Total Debtors > 12 Months Old							
Creditors Management								
Creditors System Efficiency	% of Creditors Paid Within Terms (within 'MFMA' s 65(e))							
Creditors to Cash and Investments		690.4%	113.4%	113.4%	113.4%	4400.3%	312.0%	169.8%
Other Indicators								
	Total Volume Losses (kW)							
	Total Cost of Losses (Rand '000)							
Electricity Distribution Losses (2)	% Volume (units purchased and generated less units sold)/units purchased and generated							
	Total Volume Losses (kℓ)							
	Total Cost of Losses (Rand '000)							
Water Distribution Losses (2)	% Volume (units purchased and generated less units sold)/units purchased and generated							
Employee costs	Employee costs/(Total Revenue - capital revenue)	24.2%	23.9%	23.9%	23.9%	24.2%	25.0%	25.0%
Remuneration	Total remuneration/(Total Revenue - capital revenue)	26.5%	26.1%	26.1%		26.5%	27.3%	27.3%
Repairs & Maintenance	R&M/(Total Revenue excluding capital revenue)	0.9%	1.0%	1.0%		1.3%	1.3%	1.3%
Finance charges & Depreciation	FC&D/(Total Revenue - capital revenue)	6.4%	6.5%	6.5%	6.5%	6.1%	6.1%	5.8%
IDP regulation financial viability indicators								
i. Debt coverage	(Total Operating Revenue - Operating Grants)/Debt service payments due within financial year	30.5	30.5	30.5	26.7	26.9	26.7	28.5
ii.O/S Service Debtors to Revenue	Total outstanding service debtors/annual revenue received for services	14.0%	12.6%	12.6%	12.6%	66.0%	65.6%	64.5%
iii. Cost coverage	(Available cash + Investments)/monthly fixed operational expenditure	0.2	1.4	1.4	1.4	0.1	0.9	1.6
References								
1. Consumer debtors > 12 months old are excluded from current assets								
2. Only include if services provided by the municipality								
Calculation data								
Debtors > 90 days								
Monthly fixed operational expenditure		8 778	8 555	8 555	8 555	9 406	9 792	10 467
Fixed operational expenditure % assumption		40.0%	40.0%	40.0%	40.0%	40.0%	40.0%	40.0%
Own capex		-	-	-	-	-	-	-
Borrowing		-	-	-	-	-	-	-

NC071 Ubuntu Supporting Table SA10 Funding measurement												
Description	MFMA section	Ref	2012/13	2013/14	2014/15	Current Year 2015/16				2016/17 Medium Term Revenue & Expenditure Framework		
			Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2016/17	Budget Year +1 2017/18	Budget Year +2 2018/19
Funding measures												
Cash/cash equivalents at the year end - R'000	18(1)b	1	(423)	(198)	336	2 033	12 374	12 374	12 374	565	8 452	16 464
Cash + investments at the yr end less applications - R'000	18(1)b	2	223	142	44	39	61	61	61	47	90	18
Cash year end/monthly employee/supplier payments	18(1)b	3	(0.1)	(0.0)	0.0	0.2	1.4	1.4	1.4	0.1	0.9	1.6
Surplus/(Deficit) excluding depreciation offsets: R'000	18(1)	4	(2 914)	3 902	8 539	40 924	10 936	10 936	10 936	9 528	13 120	11 985
Service charge rev % change - macro CPIX target exclusive	18(1)a,(2)	5	N.A.	(10.5%)	20.2%	(7.7%)	5.6%	(6.0%)	(6.0%)	(5.0%)	0.8%	1.7%
Cash receipts % of Ratepayer & Other revenue	18(1)a,(2)	6	67.0%	31.3%	20.9%	46.7%	47.3%	47.3%	47.3%	41.3%	43.0%	43.3%
Debt impairment expense as a % of total billable revenue	18(1)a,(2)	7	38.1%	214.7%	172.5%	168.9%	153.6%	153.6%	153.6%	177.5%	168.8%	166.4%
Capital payments % of capital expenditure	18(1)c,19	8	95.8%	97.5%	100.3%	100.0%	124.0%	124.0%	124.0%	100.0%	100.0%	100.0%
Borrowing receipts % of capital expenditure (excl. transfers)	18(1)c	9	0.0%	195.6%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Grants % of Govt. legislated/gazetted allocations	18(1)a	10								0.0%	0.0%	0.0%
Current consumer debtors % change - incr(decr)	18(1)a	11	N.A.	24.0%	50.5%	(88.2%)	0.0%	0.0%	0.0%	429.6%	6.0%	6.0%
Long term receivables % change - incr(decr)	18(1)a	12	N.A.	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
R&M % of Property Plant & Equipment	20(1)(vi)	13	1.3%	1.0%	1.1%	0.6%	0.7%	0.7%	1.0%	0.9%	1.0%	1.0%
Asset renewal % of capital budget	20(1)(vi)	14	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%

References

1. Positive cash balances indicative of minimum compliance - subject to 2
2. Deduct cash and investment applications (defined) from cash balances
3. Indicative of sufficient liquidity to meet average monthly operating payments
4. Indicative of funded operational requirements
5. Indicative of adherence to macro-economic targets (prior to 2003/04 revenue not available for high capacity municipalities and later for other capacity classifications)
6. Realistic average cash collection forecasts as % of annual billed revenue
7. Realistic average increase in debt impairment (doubtful debt) provision
8. Indicative of planned capital expenditure level & cash payment timing
9. Indicative of compliance with borrowing 'only' for the capital budget - should not exceed 100% unless refinancing
10. Substantiation of National/Province allocations included in budget
11. Indicative of realistic current arrear debtor collection targets (prior to 2003/04 revenue not available for high capacity municipalities and later for other capacity classifications)
12. Indicative of realistic long term arrear debtor collection targets (prior to 2003/04 revenue not available for high capacity municipalities and later for other capacity classifications)
13. Indicative of a credible allowance for repairs & maintenance of assets - functioning assets revenue protection
14. Indicative of a credible allowance for asset renewal (requires analysis of asset renewal projects as % of total capital projects - detailed capital plan) - functioning assets revenue protection

Supporting indicators												
% incr total service charges (incl prop rates)	18(1)a		(4.5%)	26.2%	(1.7%)	11.6%	0.0%	0.0%	✓	1.0%	6.8%	7.7%
% incr Property Tax	18(1)a		(59.4%)	145.8%	(1.0%)	33.7%	0.0%	0.0%	✓	(14.3%)	6.0%	6.0%
% incr Service charges - electricity revenue	18(1)a		18.9%	(5.4%)	12.4%	10.3%	0.0%	0.0%	✓	8.0%	8.0%	8.6%
% incr Service charges - water revenue	18(1)a		16.8%	34.5%	(18.9%)	0.0%	0.0%	0.0%	✓	6.0%	6.0%	6.9%
% incr Service charges - sanitation revenue	18(1)a		0.3%	19.1%	(5.9%)	0.0%	0.0%	0.0%	✓	6.0%	6.0%	10.5%
% incr Service charges - refuse revenue	18(1)a		16.9%	6.3%	5.3%	0.0%	0.0%	0.0%	✓	4.3%	6.0%	9.0%
% incr in Service charges - other	18(1)a		0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	✓	0.0%	0.0%	0.0%
Total billable revenue	18(1)a	21 869	20 880	26 358	25 909	28 909	28 909	28 909		29 210	31 194	33 611
Service charges		21 869	20 880	26 358	25 909	28 909	28 909	28 909		29 210	31 194	33 611
Property rates		6 007	2 442	6 002	5 942	7 942	7 942	7 942		6 810	7 219	7 652
Service charges - electricity revenue		7 680	9 130	8 639	9 712	10 712	10 712	10 712		11 569	12 494	13 565
Service charges - water revenue		4 954	5 786	7 779	6 308	6 308	6 308	6 308		6 687	7 088	7 577
Service charges - sanitation revenue		1 500	1 504	1 791	1 686	1 686	1 686	1 686		1 787	1 894	2 093
Service charges - refuse removal		1 727	2 019	2 146	2 261	2 261	2 261	2 261		2 357	2 499	2 723
Service charges - other		-	-	-	-	-	-	-		-	-	-
Rental of facilities and equipment		494	438	335	390	390	390	390		414	431	452
Capital expenditure excluding capital grant funding		198	443	-	-	-	-	-		-	-	-
Cash receipts from ratepayers	18(1)a	28 475	24 033	16 865	39 941	42 192	42 192	42 192		39 484	43 279	46 518
Ratepayer & Other revenue	18(1)a	42 471	76 900	80 872	85 463	89 129	89 129	89 129		95 652	100 547	107 368
Change in consumer debtors (current and non-current)		11 464	4 031	10 503	(27 624)	(27 624)	(27 624)	(27 624)		15 870	1 174	1 244
Operating and Capital Grant Revenue	18(1)a	30 688	42 184	39 025	74 818	39 661	39 661	39 661		40 099	43 540	44 551
Capital expenditure - total	20(1)(vi)	9 254	12 513	11 155	43 489	8 322	8 322	8 322		9 514	13 098	11 914
Capital expenditure - renewal	20(1)(vi)	-	-	-	-	-	-	-		-	-	-
Supporting benchmarks												
Growth guideline maximum			6.0%	6.0%	6.0%	6.0%	6.0%	6.0%		6.0%	6.0%	6.0%
CPI guideline			4.3%	3.9%	4.6%	5.0%	5.0%	5.0%		5.4%	5.6%	5.4%
DoRA operating grants total MFY		21 385										
DoRA capital grants total MFY		11 822										
Provincial operating grants		379										
Provincial capital grants		379										
District Municipality grants		23										
Total gazetted/adviced national, provincial and district grants										-	-	-
Average annual collection rate (arrears inclusive)												

Trend											
Change in consumer debtors (current and non-current)											
			11 464	4 031	10 503	(27 624)	15 870	1 174	1 244	–	–
Total Operating Revenue											
Total Operating Revenue			64 769	109 102	110 683	117 007	120 783	120 783	120 783	126 452	131 226
Total Operating Expenditure			76 301	115 372	111 633	119 572	118 168	118 168	118 168	126 438	131 204
Operating Performance Surplus/(Deficit)			(11 532)	(6 270)	(950)	(2 565)	2 615	2 615	2 615	14	22
Cash and Cash Equivalents (30 June 2012)											
Cash and Cash Equivalents										565	
Revenue											
% Increase in Total Operating Revenue				68.4%	1.4%	5.7%	3.2%	0.0%	0.0%	4.7%	3.8%
% Increase in Property Rates Revenue				(59.4%)	145.8%	(1.0%)	33.7%	0.0%	0.0%	(14.3%)	6.0%
% Increase in Electricity Revenue				18.9%	(5.4%)	12.4%	10.3%	0.0%	0.0%	8.0%	8.6%
% Increase in Property Rates & Services Charges				(4.5%)	26.2%	(1.7%)	11.6%	0.0%	0.0%	1.0%	6.8%
Expenditure											
% Increase in Total Operating Expenditure				51.2%	(3.2%)	7.1%	(1.2%)	0.0%	0.0%	7.0%	3.8%
% Increase in Employee Costs				5.9%	7.4%	6.7%	1.7%	0.0%	0.0%	6.3%	7.0%
% Increase in Electricity Bulk Purchases				17.4%	6.5%	15.8%	(13.3%)	0.0%	0.0%	8.0%	8.0%
Average Cost Per Budgeted Employee Position (Remuneration)				0	0	0	0	0	0	0	0
Average Cost Per Councillor (Remuneration)				0	0	0	0	0	0	0	0
R&M % of PPE			1.3%	1.0%	1.1%	0.6%	0.7%	0.7%	0.9%	1.0%	1.0%
Asset Renewal and R&M as a % of PPE			1.0%	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%
Debt Impairment % of Total Billable Revenue			38.1%	214.7%	172.5%	168.9%	153.6%	153.6%	153.6%	177.5%	168.8%
Capital Revenue											
Internally Funded & Other (R'000)			198	443	–	–	–	–	–	–	–
Borrowing (R'000)			–	–	–	–	–	–	–	–	–
Grant Funding and Other (R'000)			9 056	12 070	11 155	43 489	8 322	8 322	8 322	9 514	13 098
Internally Generated funds % of Non Grant Funding			100.0%	100.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Borrowing % of Non Grant Funding			0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Grant Funding % of Total Funding			97.9%	96.5%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Capital Expenditure											
Total Capital Programme (R'000)			9 254	12 513	11 155	43 489	8 322	8 322	8 322	9 514	13 098
Asset Renewal			–	–	–	–	–	–	–	–	–
Asset Renewal % of Total Capital Expenditure			0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Cash											
Cash Receipts % of Rate Payer & Other			67.0%	31.3%	20.9%	46.7%	47.3%	47.3%	47.3%	41.3%	43.0%
Cash Coverage Ratio			(0)	(0)	0	0	0	0	0	0	0
Borrowing											
Credit Rating (2009/10)										0	
Capital Charges to Operating			1.8%	1.2%	1.8%	1.6%	1.9%	1.9%	1.9%	1.1%	1.1%
Borrowing Receipts % of Capital Expenditure			0.0%	195.6%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Reserves											
Surplus/(Deficit)			223	142	44	39	61	61	61	47	90
Free Services											
Free Basic Services as a % of Equitable Share			0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Free Services as a % of Operating Revenue (excl operational transfers)			9.6%	5.4%	5.5%	5.6%	5.4%	5.4%	5.4%	20.7%	21.2%
High Level Outcome of Funding Compliance											
Total Operating Revenue			64 769	109 102	110 683	117 007	120 783	120 783	120 783	126 452	131 226
Total Operating Expenditure			76 301	115 372	111 633	119 572	118 168	118 168	118 168	126 438	131 204
Surplus/(Deficit) Budgeted Operating Statement			(11 532)	(6 270)	(950)	(2 565)	2 615	2 615	2 615	14	22
Surplus/(Deficit) Considering Reserves and Cash Backing			223	142	44	39	61	61	61	47	90
MTREF Funded (1) / Unfunded (0)	15	1	1	1	1	1	1	1	1	1	1
MTREF Funded ✓ / Unfunded ✗	15	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓

References

15. Subject to figures provided in Schedule.

1.5 Operating Revenue Framework

Section 18 of the Municipal Finance Management Act, 2003, which deals with the funding of expenditure, states as follows:

- (1) "An annual budget may only be funded from –
- (a) Realistically anticipated revenue to be collected from the approved sources of revenue;
 - (b) Cash-backed accumulated funds from previous financial years' surpluses not committed for other purposes; and
 - (c) Borrowed funds, but only for the capital budget referred to in section 17(2).
- (2) Revenue projections in the budget must be realistic, taking into account –
- (a) projected revenue for the current year based on collection levels to date; and
 - (b) actual revenue collected in previous years."

The following table is a summary of the 2016/17 MTREF (classified by main revenue source):

Table 3 Summary of revenue classified by main revenue source

NC071 Ubuntu - Table A4 Budgeted Financial Performance (revenue and expenditure)							
Description	Ref	Current Year 2015/16			2016/17 Medium Term Revenue & Expenditure Framework		
		Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2016/17	Budget Year +1 2017/18	Budget Year +2 2018/19
R thousand	1						
Revenue By Source							
Property rates	2	7 942	7 942	7 942	6 810	7 219	7 652
Property rates - penalties & collection charges		–	–	–	–	–	–
Service charges - electricity revenue	2	10 712	10 712	10 712	11 569	12 494	13 565
Service charges - water revenue	2	6 308	6 308	6 308	6 687	7 088	7 577
Service charges - sanitation revenue	2	1 686	1 686	1 686	1 787	1 894	2 093
Service charges - refuse revenue	2	2 261	2 261	2 261	2 357	2 499	2 723
Service charges - other		–	–	–	–	–	–
Rental of facilities and equipment		390	390	390	414	431	452
Interest earned - external investments		215	215	215	215	237	249
Interest earned - outstanding debtors		3 000	3 000	3 000	3 180	3 371	3 573
Dividends received		–	–	–	–	–	–
Fines		55 044	55 044	55 044	60 156	62 901	66 915
Licences and permits		1 068	1 068	1 068	1 130	979	1 028
Agency services		4	4	4	5	5	5
Transfers recognised - operating		31 340	31 340	31 340	30 585	30 442	32 637
Other revenue	2	714	714	714	1 558	1 667	1 784
Gains on disposal of PPE		100	100	100	–	–	–
Total Revenue (excluding capital transfers and contributions)		120 783	120 783	120 783	126 452	131 226	140 254

In line with the formats prescribed by the Municipal Budget and Reporting Regulations, capital transfers and contributions are excluded from the operating statement, as inclusion of these revenue sources would distort the calculation of the operating surplus/deficit.

Table 4 Summary of revenue classified by municipal vote

NC071 Ubuntu - Table A3 Budgeted Financial Performance (revenue and expenditure by municipal vote)							
Vote Description	Ref	Current Year 2015/16			2016/17 Medium Term Revenue & Expenditure Framework		
		Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2016/17	Budget Year +1 2017/18	Budget Year +2 2018/19
R thousand							
Revenue by Vote	1						
Vote 1 - Budget & Treasury		37 267	39 777	39 777	39 773	42 180	45 132
Vote 2 - Community & Social Services		56 925	57 105	57 105	62 894	64 662	68 731
Vote 3 - Electricity		9 760	10 760	10 760	11 612	15 541	15 115
Vote 4 - Executive & Council		244	242	242	259	274	288
Vote 5 - Health		–	–	–	–	–	–
Vote 6 - Planning & Development		46 006	10 957	10 957	10 563	10 151	10 470
Vote 7 - Public Safety		60	60	60	48	52	55
Vote 8 - Sport & Recreation		3	3	3	3	3	3
Vote 9 - Waste Management		3 921	3 921	3 921	4 124	4 371	4 793
Vote 10 - Water		6 310	6 280	6 280	6 689	7 090	7 580
Total Revenue by Vote	2	160 496	129 105	129 105	135 966	144 324	152 168

1.6 Operating Expenditure Framework

Building on cost containment guidelines approved by Cabinet in October 2013, government at all levels will need to identify opportunities to increase efficiency and reduce waste. At a national level, the 2015 budget will pay particular attention to reducing line items that are not critical to service delivery to reinforce cost containment.

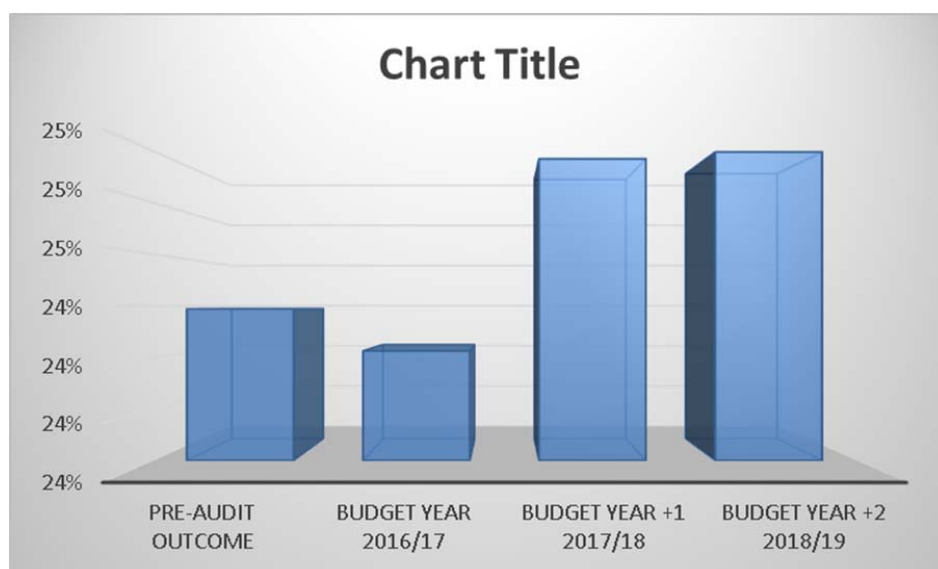
Municipalities are still urged to implement the cost containment measures on six focus areas namely, consultancy fees, no credit cards, travel and related costs, advertising, catering, events costs and accommodation. With the implementation of cost containment measures, municipalities must control unnecessary spending on nice-to-have items and non-essential and non-priority activities.

The following table is a high level summary of the 2015/16 budget and MTREF (classified per main type of operating expenditure):

Table 2 Summary of operating expenditure by standard classification item

NC071 Ubuntu - Table A4 Budgeted Financial Performance (revenue and expenditure)							
Description	Ref	Current Year 2015/16			2016/17 Medium Term Revenue & Expenditure Framework		
		Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2016/17	Budget Year +1 2017/18	Budget Year +2 2018/19
R thousand	1						
Expenditure By Type							
Employee related costs	2	28 818	28 818	28 818	30 630	32 760	35 039
Remuneration of councillors		2 676	2 676	2 676	2 862	3 024	3 235
Debt impairment	3	44 400	44 400	44 400	51 844	52 661	55 945
Depreciation & asset impairment	2	6 126	6 126	6 126	6 222	6 522	6 522
Finance charges		1 728	1 728	1 728	1 482	1 547	1 598
Bulk purchases	2	13 768	13 768	13 768	14 869	16 059	17 344
Other materials	8	–	–	–	–	–	–
Contracted services		6 000	6 000	6 000	6 360	6 742	7 146
Transfers and grants		182	182	182	193	204	217
Other expenditure	4, 5	14 471	14 471	14 471	11 977	11 686	13 138
Loss on disposal of PPE		–	–	–	–	–	–
Total Expenditure		118 168	118 168	118 168	126 438	131 204	140 183

The budgeted allocation for employee related costs for the 2016/17 financial year totals R 30 630 million, which equals 24% of the total operating expenditure. This percentage is set to fluctuate over the two outer years of the MTREF to 25%. Should electricity bulk purchases, depreciation and debt impairment on fines be excluded, in order to compare it with other municipalities on a more equal basis the situation is as follows:



This ratio is showing an upward trend, but is still within the benchmark of 50%. The municipality should however monitor this line item to ensure that the salary bill remains affordable.

The increase in Employee Related Costs takes into account the multi-year Salary and Wage Collective Agreement for the period 1 July 2014 to 30 June 2017. The salary increase in the 2 outer years is calculated at CPI inflation plus 1%.

The cost associated with the remuneration of councilors is determined by the Minister of Co-operative Governance and Traditional Affairs in accordance with the Remuneration of Public Office Bearers Act, 1998 (Act 20 of 1998). The most recent proclamation in this regard has been taken into account in compiling the Municipality's budget.

The provision of debt impairment was determined based on an annual collection rate of **69.5** per cent and the Debt Write-off Policy of the Municipality. While this expenditure is considered to be a non-cash flow item, it informed the total cost associated with rendering the services of the municipality, as well as the municipality's realistically anticipated revenues.

Provision for depreciation and asset impairment has been informed by the Municipality's Asset Management Policy. Depreciation is widely considered a proxy for the measurement of the rate of asset consumption.

Bulk purchases are largely informed by the purchase of electricity from Eskom. The annual price increases have been factored into the budget appropriations and directly inform the revenue provisions. The expenditures include distribution losses. An increase of **7.64%** is factored into Electricity Bulk Purchases over the MTREF in line with the NERSA guideline.

Although the municipality is not in control of the increase in the cost of bulk purchases, the municipality could still implement measures to reduce distribution losses as well as internal consumption.

National Treasury is introducing a new Chart of Accounts and additional expenditure line-items in the budget. One of these line-items is "Other materials". Other materials comprise of amongst others the purchase of fuel, diesel, materials for maintenance, cleaning materials and chemicals. This group of expenditure has been identified in order to measure sustainability of the Municipality's infrastructure. The municipality's financial systems are, however, not yet ready to implement this change and will be addressed in future budgets.

Contracted services consist mainly out of traffic law enforcement costs. The expenditure fluctuates in line with traffic fines physically collected.

Other expenditure comprises of various line items relating to the daily operations of the municipality (including repairs and maintenance as well as operating grant expenditure). These items should be reviewed by the municipality to ensure that all non-priority expenditure is eliminated.

1.6.1 Priority given to repairs and maintenance

National Treasury observed that budget appropriations for asset renewal as part of the capital programme and operational repairs and maintenance of existing asset infrastructure is still not receiving adequate priority by municipalities, regardless of guidance supplied in previous

Budget Circulars. Asset management is a strategic imperative for any municipality and needs to be prioritized as a spending objective in the budget of municipalities.

For the 2016/17 budgets and MTREF's, municipalities must ensure they prioritize asset management and take into consideration the following:

- 1) 40 per cent of its 2016/17
- 2) Capital Budget should be allocated to the renewal of existing assets it.
- 3) Operational repairs and maintenance should not be less than 8 per cent of the asset value (write down value) of the municipality's Property Plant and Equipment (PPE)

Insufficient funds are currently allocated to repairs and maintenance. This could lead to impairment charges as well as shortened useful lives of assets.

Table 3 Repairs and maintenance per asset class

NC071 Ubuntu - Table A9 Asset Management							
Description	Ref	Current Year 2015/16			2016/17 Medium Term Revenue & Expenditure Framework		
		Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2016/17	Budget Year +1 2017/18	Budget Year +2 2018/19
R thousand							
EXPENDITURE OTHER ITEMS							
Depreciation & asset impairment		6 116	6 126	6 126	6 222	6 522	6 522
Repairs and Maintenance by Asset Class	3	1 000	1 230	1 230	1 626	1 724	1 827
Infrastructure - Road transport		22	122	122	62	65	69
Infrastructure - Electricity		240	240	240	299	317	336
Infrastructure - Water		13	13	13	187	198	210
Infrastructure - Sanitation		14	14	14	27	29	31
Infrastructure - Other		-	-	-	-	-	-
Infrastructure		289	389	389	575	609	646
Community		-	-	-	8	9	9
Heritage assets		-	-	-	-	-	-
Investment properties		-	-	-	-	-	-
Other assets	6, 7	711	841	841	1 044	1 106	1 173
TOTAL EXPENDITURE OTHER ITEMS		7 116	7 356	7 356	7 848	8 246	8 349
Renewal of Existing Assets as % of total capex		0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Renewal of Existing Assets as % of deprecn"		0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
R&M as a % of PPE		0.6%	0.7%	0.7%	0.9%	1.0%	1.0%
Renewal and R&M as a % of PPE		1.0%	1.0%	1.0%	1.0%	1.0%	1.0%

1.6.2 Free Basic Services: Basic Social Services Package

The social package assists households that are poor or face other circumstances that limit their ability to pay for services. To receive these free services the households are required to register in terms of the Municipality's Indigent Policy. Detail relating to free services, cost of free basis services, revenue lost owing to free basic services as well as basic service delivery measurement is contained in Table A10 (Basic Service Delivery Measurement).

The cost of the social package of the registered indigent households is financed by the municipality self and largely by utilizing the municipality's unconditional equitable share grant, allocated in terms of the Constitution to local government, and received in terms of the annual

Division of Revenue Act. The cost associated with indigent subsidies amounts to **R19, 877** million in 2016/17 and increase of 7.25% in the 2 outer years respectively.

1.7 Capital expenditure

The following table provides a breakdown of budgeted capital expenditure by vote:

Table 4 2016/17 Medium-term capital budget per vote

NC071 Ubuntu - Table A5 Budgeted Capital Expenditure by vote, standard classification and funding								
Vote Description R thousand	Ref	Current Year 2015/16				2016/17 Medium Term Revenue & Expenditure Framework		
		Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2016/17	Budget Year +1 2017/18	Budget Year +2 2018/19
<i>Single-year expenditure to be appropriated</i>	2							
Vote 1 - Budget & Treasury		-	-	-	-	-	-	-
Vote 2 - Community & Social Services		-	-	-	-	-	-	-
Vote 3 - Electricity		2 000	-	-	-	-	3 000	1 500
Vote 4 - Executive & Council		-	-	-	-	-	-	-
Vote 5 - Health		-	-	-	-	-	-	-
Vote 6 - Planning & Development		41 489	8 322	8 322	8 322	9 514	10 098	10 414
Vote 7 - Public Safety		-	-	-	-	-	-	-
Vote 8 - Sport & Recreation		-	-	-	-	-	-	-
Vote 9 - Waste Management		-	-	-	-	-	-	-
Vote 10 - Water		-	-	-	-	-	-	-
Vote 11 -		-	-	-	-	-	-	-
Vote 12 -		-	-	-	-	-	-	-
Vote 13 -		-	-	-	-	-	-	-
Vote 14 -		-	-	-	-	-	-	-
Vote 15 -		-	-	-	-	-	-	-
Capital single-year expenditure sub-total		43 489	8 322	8 322	8 322	9 514	13 098	11 914
Total Capital Expenditure - Vote		43 489	8 322	8 322	8 322	9 514	13 098	11 914

The following table provides more information on the breakdown of the capital budget.

The capital budget is only funded by grants. Other than the MIG allocation received throughout the MTREF, the municipality is also expected to receive an allocation of R 9.514 million in 2016/2017 towards road infrastructure projects.

1.8 Annual Budget Tables

The following pages present the ten main budget tables as required in terms of section 8 of the Municipal Budget and Reporting Regulations. These tables set out the municipality's 2016/17 budget and MTREF to be approved by the Council. Each table is accompanied by *explanatory notes* on the facing page.

Table 5 MBRR Table A1 - Budget Summary

NC071 Ubuntu - Table A1 Budget Summary										
Description	2012/13	2013/14	2014/15	Current Year 2015/16				2016/17 Medium Term Revenue & Expenditure Framework		
R thousands	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2016/17	Budget Year +1 2017/18	Budget Year +2 2018/19
Financial Performance										
Property rates	6 007	2 442	6 002	5 942	7 942	7 942	7 942	6 810	7 219	7 652
Service charges	15 861	18 438	20 356	19 967	20 967	20 967	20 967	22 400	23 975	25 960
Investment revenue	228	189	249	215	215	215	215	215	237	249
Transfers recognised - operational	22 070	32 013	29 535	31 330	31 340	31 340	31 340	30 585	30 442	32 637
Other own revenue	20 602	56 020	54 541	59 554	60 320	60 320	60 320	66 442	69 353	73 757
Total Revenue (excluding capital transfers and contributions)	64 769	109 102	110 683	117 007	120 783	120 783	120 783	126 452	131 226	140 254
Employee costs	23 347	24 726	26 548	28 330	28 818	28 818	28 818	30 630	32 760	35 039
Remuneration of councillors	2 194	2 359	2 520	2 676	2 676	2 676	2 676	2 862	3 024	3 235
Depreciation & asset impairment	5 988	5 949	6 116	6 116	6 126	6 126	6 126	6 222	6 522	6 522
Finance charges	972	900	1 491	1 373	1 728	1 728	1 728	1 482	1 547	1 598
Materials and bulk purchases	10 915	12 783	13 574	15 768	13 768	13 768	13 768	14 869	16 059	17 344
Transfers and grants	141	195	198	182	182	182	182	193	204	217
Other expenditure	32 743	68 460	61 185	65 127	64 871	64 871	64 871	70 181	71 089	76 229
Total Expenditure	76 301	115 372	111 633	119 572	118 168	118 168	118 168	126 438	131 204	140 183
Surplus/(Deficit)	(11 532)	(6 270)	(950)	(2 565)	2 615	2 615	2 615	14	22	71
Transfers recognised - capital	8 619	10 172	9 489	43 489	8 322	8 322	8 322	9 514	13 098	11 914
Contributions recognised - capital & contributed	-	-	-	-	-	-	-	-	-	-
Surplus/(Deficit) after capital transfers & contributions	(2 914)	3 902	8 539	40 924	10 936	10 936	10 936	9 528	13 120	11 985
Share of surplus/ (deficit) of associate	-	-	-	-	-	-	-	-	-	-
Surplus/(Deficit) for the year	(2 914)	3 902	8 539	40 924	10 936	10 936	10 936	9 528	13 120	11 985
Capital expenditure & funds sources										
Capital expenditure	9 254	12 513	11 155	43 489	8 322	8 322	8 322	9 514	13 098	11 914
Transfers recognised - capital	9 056	12 070	11 155	43 489	8 322	8 322	8 322	9 514	13 098	11 914
Public contributions & donations	-	-	-	-	-	-	-	-	-	-
Borrowing	-	-	-	-	-	-	-	-	-	-
Internally generated funds	198	443	-	-	-	-	-	-	-	-
Total sources of capital funds	9 254	12 513	11 155	43 489	8 322	8 322	8 322	9 514	13 098	11 914
Financial position										
Total current assets	17 582	21 675	33 649	4 269	4 269	4 269	4 269	20 139	29 200	38 456
Total non current assets	146 514	152 209	157 503	196 183	196 183	196 183	196 183	199 425	205 952	211 294
Total current liabilities	20 931	25 819	35 116	23 909	23 909	23 909	23 909	32 955	34 848	36 855
Total non current liabilities	8 469	9 467	8 899	9 009	9 009	9 009	9 009	9 550	10 123	10 730
Community wealth/Equity	134 697	138 598	147 137	167 533	167 533	167 533	167 533	177 061	190 181	202 165
Cash flows										
Net cash from (used) operating	8 747	12 180	11 824	47 502	20 851	20 851	20 851	9 476	20 943	19 883
Net cash from (used) investing	(9 312)	(12 354)	(10 830)	(43 578)	(10 299)	(10 299)	(10 299)	(9 514)	(13 098)	(11 914)
Net cash from (used) financing	(346)	399	(460)	(499)	(498)	(498)	(498)	39	41	44
Cash/cash equivalents at the year end	(423)	(198)	336	2 033	12 374	12 374	12 374	565	8 452	16 464
Cash backing/surplus reconciliation										
Cash and investments available	1 194	2 553	4 122	2 444	2 444	2 444	2 444	2 445	10 331	18 344
Application of cash and investments	970	2 412	4 078	2 405	2 383	2 383	2 383	2 398	10 241	18 325
Balance - surplus (shortfall)	223	142	44	39	61	61	61	47	90	18
Asset management										
Asset register summary (WDV)	144 843	150 145	155 326	194 236	194 236	194 236	197 479	197 479	204 005	209 348
Depreciation & asset impairment	5 988	5 949	6 116	6 116	6 126	6 126	6 222	6 222	6 522	6 522
Renewal of Existing Assets	-	-	-	-	-	-	-	-	-	-
Repairs and Maintenance	1 554	1 256	1 452	1 000	1 230	1 230	1 626	1 626	1 724	1 827
Free services										
Cost of Free Basic Services provided	-	-	-	-	-	-	-	-	-	-
Revenue cost of free services provided	4 101	4 131	4 423	4 807	4 807	4 807	19 877	19 877	21 318	22 865
Households below minimum service level										
Water:	-	-	-	-	-	-	-	-	-	-
Sanitation/sew erage:	-	-	-	-	-	-	-	-	-	-
Energy :	-	-	-	-	-	-	-	-	-	-
Refuse:	-	-	-	-	-	-	-	-	-	-

Explanatory notes to MBRR Table A1 - Budget Summary

1. Table A1 is a budget summary and provides a concise overview of the Municipality's budget from all of the major financial perspectives (operating, capital expenditure, financial position, cash flow, and MFMA funding compliance).
2. The table provides an overview of the amounts approved by Council for operating performance, resources deployed to capital expenditure, financial position, cash and funding compliance, as well as the municipality's commitment to eliminating basic service delivery backlogs.
3. Financial management reforms emphasizes the importance of the municipal budget being funded. This requires the simultaneous assessment of the Financial Performance, Financial Position and Cash Flow Budgets, along with the Capital Budget. The Budget Summary provides the key information in this regard:
 - a. The accumulated surplus is positive over the MTREF
 - b. Capital expenditure is financed from grants

Table 6 MBRR Table A2 - Budgeted Financial Performance (revenue and expenditure by standard classification)

NC071 Ubuntu - Table A2 Budgeted Financial Performance (revenue and expenditure by standard classification)										
Standard Classification Description	Ref	2012/13	2013/14	2014/15	Current Year 2015/16			2016/17 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2016/17	Budget Year +1 2017/18	Budget Year +2 2018/19
R thousand	1									
Revenue - Standard										
<i>Governance and administration</i>		30 503	26 992	34 780	37 611	40 119	40 119	40 036	42 459	45 425
Executive and council		1 000	1	0	1	(1)	(1)	1	1	1
Budget and treasury office		29 094	26 600	34 530	37 267	39 777	39 777	39 773	42 180	45 132
Corporate services		408	391	249	343	343	343	263	278	292
<i>Community and public safety</i>		792	672	738	877	877	877	1 571	751	756
Community and social services		572	572	693	814	814	814	1 520	696	697
Sport and recreation		217	100	3	3	3	3	3	3	3
Public safety		-	-	42	60	60	60	48	52	55
Housing		-	-	-	-	-	-	-	-	-
Health		3	-	-	-	-	-	-	-	-
<i>Economic and environmental services</i>		25 640	70 977	62 451	102 017	67 148	67 148	71 934	74 113	78 499
Planning and development		8 691	17 432	12 235	46 006	10 957	10 957	10 563	10 151	10 470
Road transport		16 949	53 545	50 216	56 011	56 191	56 191	61 370	63 962	68 029
Environmental protection		-	-	-	-	-	-	-	-	-
<i>Trading services</i>		16 418	20 623	22 197	19 991	20 961	20 961	22 425	27 002	27 488
Electricity		7 709	11 307	9 974	9 760	10 760	10 760	11 612	15 541	15 115
Water		5 481	5 792	7 781	6 310	6 280	6 280	6 689	7 090	7 580
Waste water management		1 501	1 505	2 315	1 687	1 687	1 687	1 788	1 895	2 095
Waste management		1 727	2 019	2 128	2 234	2 234	2 234	2 336	2 476	2 698
Other	4	36	9	6	-	-	-	-	-	-
Total Revenue - Standard	2	73 388	119 274	120 172	160 496	129 105	129 105	135 966	144 324	152 168
Expenditure - Standard										
<i>Governance and administration</i>		29 383	26 648	22 022	30 819	32 495	32 495	24 412	25 818	28 240
Executive and council		5 830	5 528	5 379	5 994	7 494	7 494	5 887	5 182	5 535
Budget and treasury office		18 929	16 745	12 208	20 455	20 205	20 205	13 605	15 440	17 213
Corporate services		4 623	4 374	4 435	4 370	4 796	4 796	4 920	5 197	5 493
<i>Community and public safety</i>		999	988	1 084	1 860	1 870	1 870	2 659	1 914	2 001
Community and social services		918	937	1 050	1 846	1 846	1 846	2 621	1 874	1 958
Sport and recreation		4	1	-	-	-	-	-	-	-
Public safety		78	50	35	14	24	24	38	40	42
Housing		-	-	-	-	-	-	-	-	-
Health		-	-	-	-	-	-	-	-	-
<i>Economic and environmental services</i>		23 490	63 423	54 389	58 900	55 385	55 385	61 533	63 010	66 674
Planning and development		5 747	10 674	5 786	5 962	6 017	6 017	6 079	6 422	6 788
Road transport		17 743	52 748	48 602	52 938	49 368	49 368	55 454	56 588	59 886
Environmental protection		-	-	-	-	-	-	-	-	-
<i>Trading services</i>		22 430	23 680	34 138	27 994	28 419	28 419	37 834	40 462	43 269
Electricity		12 624	14 038	15 428	17 137	15 737	15 737	16 972	18 242	19 612
Water		3 652	3 574	8 967	3 525	3 570	3 570	10 037	10 660	11 328
Waste water management		3 470	3 830	5 663	4 176	5 956	5 956	6 434	6 879	7 349
Waste management		2 684	2 238	4 081	3 156	3 156	3 156	4 391	4 680	4 979
Other	4	-	634	-	-	-	-	-	-	-
Total Expenditure - Standard	3	76 301	115 372	111 633	119 572	118 168	118 168	126 438	131 204	140 183
Surplus/(Deficit) for the year		(2 914)	3 902	8 539	40 924	10 936	10 936	9 528	13 120	11 985

Explanatory notes to MBRR Table A2 - Budgeted Financial Performance (revenue and expenditure by standard classification)

1. Table A2 is a view of the budgeted financial performance in relation to revenue and expenditure per standard classification. The modified GFS standard classification divides the municipal services into 15 functional areas. Municipal revenue, operating expenditure and capital expenditure are then classified in terms of each of these functional areas which enables the National Treasury to compile 'whole of government' reports.
2. Note that as a general principle the revenues for the Trading Services should exceed their expenditures.
3. Other functions that show a deficit between revenue and expenditure are being financed from rates revenues and other revenue sources.

Table 7 MBRR Table A3 - Budgeted Financial Performance (revenue and expenditure by municipal vote)

NC071 Ubuntu - Table A3 Budgeted Financial Performance (revenue and expenditure by municipal vote)A										
Vote Description	Ref	2012/13	2013/14	2014/15	Current Year 2015/16			2016/17 Medium Term Revenue & Expenditure Framework		
R thousand		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2016/17	Budget Year +1 2017/18	Budget Year +2 2018/19
Revenue by Vote										
Vote 1 - Budget & Treasury	1	29 094	26 600	34 530	37 267	39 777	39 777	39 773	42 180	45 132
1.1 - Management Services		0	0	0	—	10	10	0	0	0
1.2 - Finance		22 936	24 158	28 311	31 094	31 594	31 594	32 715	34 696	37 196
1.3 - Nature Reserve		151	—	217	230	230	230	248	265	283
1.4 - Property Tax		6 007	2 442	6 002	5 942	7 942	7 942	6 810	7 219	7 652
Vote 2 - Community & Social Services		17 657	54 216	50 934	56 925	57 105	57 105	62 894	64 662	68 731
2.1 - Aerodome		—	—	—	—	—	—	—	—	—
2.2 - Abattoir		36	9	6	—	—	—	—	—	—
2.3 - Library		559	559	680	800	800	800	1 505	680	680
2.4 - Administration		100	90	19	100	100	100	4	4	5
2.5 - Licences		16 949	53 545	50 216	56 011	56 191	56 191	61 370	63 962	68 029
2.6 - Cemeteries		13	13	13	14	14	14	15	16	17
Vote 3 - Electricity		7 709	11 307	9 974	9 760	10 760	10 760	11 612	15 541	15 115
3.1 - Electricity		7 709	11 307	9 974	9 760	10 760	10 760	11 612	15 541	15 115
Vote 4 - Executive & Council		1 308	302	230	244	242	242	259	274	288
4.1 - Council General Expenses		1 000	1	1	1	1	1	1	1	1
4.2 - Buildings and Offices		308	301	230	244	244	244	258	274	288
4.3 - Municipal Staff Housing		—	—	(0)	—	(2)	(2)	—	—	—
Vote 5 - Health		3	—	—	—	—	—	—	—	—
5.1 - Health Services		3	—	—	—	—	—	—	—	—
Vote 6 - Planning & Development		8 691	17 432	12 235	46 006	10 957	10 957	10 563	10 151	10 470
6.1 - Public Works		8 638	17 387	12 199	45 965	10 916	10 916	10 521	10 106	10 422
6.2 - Roads and Stormwater Drainage		—	—	—	—	—	—	—	—	—
6.3 - Commonage		52	45	36	41	41	41	42	45	48
6.4 - Sunrise		—	—	—	—	—	—	—	—	—
Vote 7 - Public Safety		—	—	42	60	60	60	48	52	55
7.1 - Fire Brigade		—	—	42	60	60	60	48	52	55
Vote 8 - Sport & Recreation		217	100	3	3	3	3	3	3	3
8.1 - Parks and Recreation		217	100	3	3	3	3	3	3	3
Vote 9 - Waste Management		3 228	3 524	4 442	3 921	3 921	3 921	4 124	4 371	4 793
9.1 - Sewerage and Sanitation		1 501	1 505	2 315	1 687	1 687	1 687	1 788	1 895	2 095
9.2 - Cleansing		1 727	2 019	2 128	2 234	2 234	2 234	2 336	2 476	2 698
Vote 10 - Water		5 481	5 792	7 781	6 310	6 280	6 280	6 689	7 090	7 580
10.1 - Water Distribution		5 481	5 792	7 781	6 310	6 280	6 280	6 689	7 090	7 580
Total Revenue by Vote	2	73 388	119 274	120 172	160 496	129 105	129 105	135 966	144 324	152 168
Expenditure by Vote										
Vote 1 - Budget & Treasury	1	18 929	16 745	12 208	20 455	20 205	20 205	13 605	15 440	17 213
1.1 - Management Services		1 433	1 690	1 500	1 694	2 094	2 094	2 240	2 393	2 556
1.2 - Finance		9 174	7 869	8 562	10 011	10 861	10 861	8 964	10 478	11 908
1.3 - Nature Reserve		—	99	40	—	—	—	—	—	—
1.4 - Property Tax		8 322	7 087	2 106	8 750	7 250	7 250	2 401	2 569	2 749
Vote 2 - Community & Social Services		20 632	55 870	51 321	56 356	53 167	53 167	60 053	60 382	64 023
2.1 - Aerodome		—	—	—	—	—	—	—	—	—
2.2 - Abattoir		—	634	—	—	—	—	—	—	—
2.3 - Library		918	937	1 050	1 846	1 846	1 846	2 621	1 874	1 958
2.4 - Administration		4 503	4 189	4 293	4 248	4 628	4 628	4 715	4 980	5 264
2.5 - Licences		15 211	50 111	45 978	50 262	46 693	46 693	52 717	53 527	56 801
2.6 - Cemeteries		—	—	—	—	—	—	—	—	—
Vote 3 - Electricity		12 624	14 038	15 428	17 137	15 737	15 737	16 972	18 242	19 612
3.1 - Electricity		12 624	14 038	15 428	17 137	15 737	15 737	16 972	18 242	19 612
Vote 4 - Executive & Council		5 950	5 714	5 520	6 115	7 661	7 661	6 093	5 399	5 764
4.1 - Council General Expenses		5 830	5 528	5 379	5 994	7 494	7 494	5 887	5 182	5 535
4.2 - Buildings and Offices		121	186	142	121	167	167	206	217	229
4.3 - Municipal Staff Housing		—	—	—	—	—	—	—	—	—
Vote 5 - Health		—	—	—	—	—	—	—	—	—
5.1 - Health Services		—	—	—	—	—	—	—	—	—
Vote 6 - Planning & Development		8 279	13 311	8 411	8 638	8 692	8 692	8 816	9 482	9 873
6.1 - Public Works		5 747	10 674	5 786	5 962	6 017	6 017	6 079	6 422	6 788
6.2 - Roads and Stormwater Drainage		2 532	2 637	2 624	2 676	2 676	2 676	2 738	3 061	3 085
6.3 - Commonage		—	—	—	—	—	—	—	—	—
6.4 - Sunrise		—	—	(0)	—	—	—	(0)	(0)	(0)
Vote 7 - Public Safety		78	50	35	14	24	24	38	40	42
7.1 - Fire Brigade		78	50	35	14	24	24	38	40	42
Vote 8 - Sport & Recreation		4	1	—	—	—	—	—	—	—
8.1 - Parks and Recreation		4	1	—	—	—	—	—	—	—
Vote 9 - Waste Management		6 153	6 068	9 744	7 331	9 111	9 111	10 825	11 559	12 328
9.1 - Sewerage and Sanitation		3 470	3 830	5 663	4 176	5 956	5 956	6 434	6 879	7 349
9.2 - Cleansing		2 684	2 238	4 081	3 156	3 156	3 156	4 391	4 680	4 979
Vote 10 - Water		3 652	3 574	8 967	3 525	3 570	3 570	10 037	10 660	11 328
10.1 - Water Distribution		3 652	3 574	8 967	3 525	3 570	3 570	10 037	10 660	11 328
Total Expenditure by Vote	2	76 301	115 372	111 633	119 572	118 168	118 168	126 438	131 204	140 183
Surplus/(Deficit) for the year	2	(2 914)	3 902	8 539	40 924	10 936	10 936	9 528	13 120	11 985

Explanatory notes to MBRR Table A3 - Budgeted Financial Performance (revenue and expenditure by municipal vote)

1. Table A3 is a view of the budgeted financial performance in relation to the revenue and expenditure per municipal vote. This table facilitates the view of the budgeted operating performance in relation to the organizational structure of the Municipality. This means it is possible to present the operating surplus or deficit of a vote.

Table 8 MBRR Table A4 - Budgeted Financial Performance (revenue and expenditure)

NC071 Ubuntu - Table A4 Budgeted Financial Performance (revenue and expenditure)							
Description	Ref	Current Year 2015/16			2016/17 Medium Term Revenue & Expenditure Framework		
		Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2016/17	Budget Year +1 2017/18	Budget Year +2 2018/19
R thousand	1						
Revenue By Source							
Property rates	2	7 942	7 942	7 942	6 810	7 219	7 652
Property rates - penalties & collection charges		—	—	—	—	—	—
Service charges - electricity revenue	2	10 712	10 712	10 712	11 569	12 494	13 565
Service charges - water revenue	2	6 308	6 308	6 308	6 687	7 088	7 577
Service charges - sanitation revenue	2	1 686	1 686	1 686	1 787	1 894	2 093
Service charges - refuse revenue	2	2 261	2 261	2 261	2 357	2 499	2 723
Service charges - other		—	—	—	—	—	—
Rental of facilities and equipment		390	390	390	414	431	452
Interest earned - external investments		215	215	215	215	237	249
Interest earned - outstanding debtors		3 000	3 000	3 000	3 180	3 371	3 573
Dividends received		—	—	—	—	—	—
Fines		55 044	55 044	55 044	60 156	62 901	66 915
Licences and permits		1 068	1 068	1 068	1 130	979	1 028
Agency services		4	4	4	5	5	5
Transfers recognised - operating		31 340	31 340	31 340	30 585	30 442	32 637
Other revenue	2	714	714	714	1 558	1 667	1 784
Gains on disposal of PPE		100	100	100	—	—	—
Total Revenue (excluding capital transfers and contributions)		120 783	120 783	120 783	126 452	131 226	140 254
Expenditure By Type							
Employee related costs	2	28 818	28 818	28 818	30 630	32 760	35 039
Remuneration of councillors		2 676	2 676	2 676	2 862	3 024	3 235
Debt impairment	3	44 400	44 400	44 400	51 844	52 661	55 945
Depreciation & asset impairment	2	6 126	6 126	6 126	6 222	6 522	6 522
Finance charges		1 728	1 728	1 728	1 482	1 547	1 598
Bulk purchases	2	13 768	13 768	13 768	14 869	16 059	17 344
Other materials	8	—	—	—	—	—	—
Contracted services		6 000	6 000	6 000	6 360	6 742	7 146
Transfers and grants		182	182	182	193	204	217
Other expenditure	4, 5	14 471	14 471	14 471	11 977	11 686	13 138
Loss on disposal of PPE		—	—	—	—	—	—
Total Expenditure		118 168	118 168	118 168	126 438	131 204	140 183
Surplus/(Deficit)		2 615	2 615	2 615	14	22	71
Transfers recognised - capital		8 322	8 322	8 322	9 514	13 098	11 914
Contributions recognised - capital	6	—	—	—	—	—	—
Contributed assets		—	—	—	—	—	—
Surplus/(Deficit) after capital transfers & contributions		10 936	10 936	10 936	9 528	13 120	11 985
Taxation		—	—	—	—	—	—
Surplus/(Deficit) after taxation		10 936	10 936	10 936	9 528	13 120	11 985
Attributable to minorities		—	—	—	—	—	—
Surplus/(Deficit) attributable to municipality		10 936	10 936	10 936	9 528	13 120	11 985
Share of surplus/ (deficit) of associate	7	—	—	—	—	—	—
Surplus/(Deficit) for the year		10 936	10 936	10 936	9 528	13 120	11 985

Explanatory notes to Table A4 - Budgeted Financial Performance (revenue and expenditure)

1. Table A4 represents the revenue per source as well as the expenditure per type. This classification is aligned to the GRAP disclosures in the annual financial statements of the municipality.

Table 9 MBRR Table A5 - Budgeted Capital Expenditure by vote, standard classification and funding source

NC071 Ubuntu - Table A5 Budgeted Capital Expenditure by vote, standard classification and funding								
Vote Description R thousand	Ref	Current Year 2015/16				2016/17 Medium Term Revenue & Expenditure Framework		
		Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2016/17	Budget Year +1 2017/18	Budget Year +2 2018/19
Single-year expenditure to be appropriated	2							
Vote 1 - Budget & Treasury		-	-	-	-	-	-	-
Vote 2 - Community & Social Services		-	-	-	-	-	-	-
Vote 3 - Electricity		2 000	-	-	-	-	3 000	1 500
Vote 4 - Executive & Council		-	-	-	-	-	-	-
Vote 5 - Health		-	-	-	-	-	-	-
Vote 6 - Planning & Development		41 489	8 322	8 322	8 322	9 514	10 098	10 414
Vote 7 - Public Safety		-	-	-	-	-	-	-
Vote 8 - Sport & Recreation		-	-	-	-	-	-	-
Vote 9 - Waste Management		-	-	-	-	-	-	-
Vote 10 - Water		-	-	-	-	-	-	-
Vote 11 -		-	-	-	-	-	-	-
Vote 12 -		-	-	-	-	-	-	-
Vote 13 -		-	-	-	-	-	-	-
Vote 14 -		-	-	-	-	-	-	-
Vote 15 -		-	-	-	-	-	-	-
Capital single-year expenditure sub-total		43 489	8 322	8 322	8 322	9 514	13 098	11 914
Total Capital Expenditure - Vote		43 489	8 322	8 322	8 322	9 514	13 098	11 914
Capital Expenditure - Standard								
<i>Governance and administration</i>		-	-	-	-	-	-	-
Executive and council		-	-	-	-	-	-	-
Budget and treasury office		-	-	-	-	-	-	-
Corporate services		-	-	-	-	-	-	-
<i>Community and public safety</i>		-	-	-	-	-	-	-
Community and social services		-	-	-	-	-	-	-
Sport and recreation		-	-	-	-	-	-	-
Public safety		-	-	-	-	-	-	-
Housing		-	-	-	-	-	-	-
Health		-	-	-	-	-	-	-
<i>Economic and environmental services</i>		8 322	8 322	8 322	8 322	9 514	10 098	10 414
Planning and development		8 322	8 322	8 322	8 322	-	-	-
Road transport		-	-	-	-	9 514	10 098	10 414
Environmental protection		-	-	-	-	-	-	-
<i>Trading services</i>		35 167	-	-	-	-	3 000	1 500
Electricity		2 000	-	-	-	-	3 000	1 500
Water		-	-	-	-	-	-	-
Waste water management		33 167	-	-	-	-	-	-
Waste management		-	-	-	-	-	-	-
<i>Other</i>		-	-	-	-	-	-	-
Total Capital Expenditure - Standard	3	43 489	8 322	8 322	8 322	9 514	13 098	11 914
Funded by:								
National Government		43 489	8 322	8 322	8 322	9 514	13 098	11 914
Provincial Government		-	-	-	-	-	-	-
District Municipality		-	-	-	-	-	-	-
Other transfers and grants		-	-	-	-	-	-	-
Transfers recognised - capital	4	43 489	8 322	8 322	8 322	9 514	13 098	11 914
Public contributions & donations	5	-	-	-	-	-	-	-
Borrowing	6	-	-	-	-	-	-	-
Internally generated funds		-	-	-	-	-	-	-
Total Capital Funding	7	43 489	8 322	8 322	8 322	9 514	13 098	11 914

Explanatory notes to Table A5 - Budgeted Capital Expenditure by vote, standard classification and funding source

1. Table A5 is a breakdown of the capital program in relation to capital expenditure by municipal vote (multi-year and single-year appropriations); capital expenditure by standard classification; and the funding sources necessary to fund the capital budget, including information on capital transfers from national and provincial departments.
2. The MFMA provides that a municipality may approve multi-year or single-year capital budget appropriations.
3. Unlike multi-year capital appropriations, single-year appropriations relate to expenditure that will be incurred in the specific budget year such as the procurement of vehicles and specialized tools and equipment. The budget appropriations for the two outer years are indicative allocations based on the departmental business plans as informed by the IDP and will be reviewed on an annual basis to assess the relevance of the expenditure in relation to the strategic objectives and service delivery imperatives of the Municipality. For the purpose of funding assessment of the MTREF, these appropriations have been included but no commitments will be incurred against single-year appropriations for the two outer-years.
4. The capital program is funded from National, Provincial and Other grants and transfers, borrowing and internally generated funds from current and prior year surpluses.

Table 10 MBRR Table A6 - Budgeted Financial Position

NC071 Ubuntu - Table A6 Budgeted Financial Position											
Description	Ref	2012/13	2013/14	2014/15	Current Year 2015/16				2016/17 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2016/17	Budget Year +1 2017/18	Budget Year +2 2018/19
R thousand											
ASSETS											
Current assets											
Cash	1	173	824	1 357	564	564	564	564	565	8 452	16 464
Call investment deposits		615	25	962	–	–	–	–	–	–	–
Consumer debtors	1	3 199	18 538	26 699	3 694	3 694	3 694	3 694	19 564	20 738	21 982
Other debtors		13 587	2 277	4 619	–	–	–	–	–	–	–
Current portion of long-term receivables		–	–	–	–	–	–	–	–	–	–
Inventory	2	8	10	11	10	10	10	10	10	10	10
Total current assets		17 582	21 675	33 649	4 269	4 269	4 269	4 269	20 139	29 200	38 456
Non current assets											
Long-term receivables		–	–	–	–	–	–	–	–	–	–
Investments		1 617	1 705	1 802	1 879	1 879	1 879	1 879	1 879	1 879	1 879
Investment property		23 184	23 160	23 135	23 110	23 110	23 110	23 110	23 085	23 060	23 035
Investment in Associate		–	–	–	–	–	–	–	–	–	–
Property , plant and equipment	3	121 317	126 756	132 015	170 918	170 918	170 918	170 918	174 186	180 737	186 105
Agricultural		–	–	–	–	–	–	–	–	–	–
Biological		307	208	168	208	208	208	208	208	208	208
Intangible		34	21	8	–	–	–	–	–	–	–
Other non-current assets		55	360	376	67	67	67	67	67	67	67
Total non current assets		146 514	152 209	157 503	196 183	196 183	196 183	196 183	199 425	205 952	211 294
TOTAL ASSETS		164 096	173 884	191 152	200 452	200 452	200 452	200 452	219 565	235 151	249 751
LIABILITIES											
Current liabilities											
Bank overdraft	1	1 212	–	–	–	–	–	–	–	–	–
Borrowing	4	421	471	513	361	361	361	361	383	406	430
Consumer deposits		203	218	229	244	244	244	244	259	275	291
Trade and other payables	4	14 378	18 992	26 869	17 607	17 607	17 607	17 607	26 274	27 767	29 349
Provisions		4 717	6 138	7 505	5 696	5 696	5 696	5 696	6 038	6 400	6 785
Total current liabilities		20 931	25 819	35 116	23 909	23 909	23 909	23 909	32 955	34 848	36 855
Non current liabilities											
Borrowing		829	1 163	650	289	289	289	289	306	325	344
Provisions		7 640	8 303	8 248	8 720	8 720	8 720	8 720	9 243	9 798	10 386
Total non current liabilities		8 469	9 467	8 899	9 009	9 009	9 009	9 009	9 550	10 123	10 730
TOTAL LIABILITIES		29 400	35 286	44 015	32 919	32 919	32 919	32 919	42 504	44 971	47 585
NET ASSETS	5	134 697	138 598	147 137	167 533	167 533	167 533	167 533	177 061	190 181	202 165
COMMUNITY WEALTH/EQUITY											
Accumulated Surplus/(Deficit)		134 697	138 598	147 137	167 533	167 533	167 533	167 533	177 061	190 181	202 165
Reserves	4	–	–	–	–	–	–	–	–	–	–
TOTAL COMMUNITY WEALTH/EQUITY	5	134 697	138 598	147 137	167 533	167 533	167 533	167 533	177 061	190 181	202 165

Explanatory notes to Table A6 - Budgeted Financial Position

1. Table A6 is consistent with international standards of good financial management practice, and improves understandability for councilors and management of the impact of the budget on the statement of financial position (balance sheet).
2. This format of presenting the statement of financial position is aligned to GRAP1, which is generally aligned to the international version which presents Assets less Liabilities as “accounting” Community Wealth. The order of items within each group illustrates items in order of liquidity; i.e. assets readily converted to cash, or liabilities immediately required to be met from cash, appear first.
3. Table A6 is supported by an extensive table of notes (SA3) providing a detailed analysis of the major components of a number of items, including:
 - Call investments deposits;
 - Consumer debtors;
 - Property, plant and equipment;
 - Trade and other payables;
 - Provisions non-current;
 - Changes in net assets; and
 - Reserves
4. The municipal equivalent of equity is Community Wealth/Equity. The justification is that ownership and the net assets of the municipality belong to the community.
5. Any movement on the Budgeted Financial Performance or the Capital Budget will inevitably impact on the Budgeted Financial Position. As an example, the collection rate assumption will impact on the cash position of the municipality and subsequently inform the level of cash and cash equivalents at year end. Similarly, the collection rate assumption should inform the budget appropriation for debt impairment which in turn would impact on the provision for bad debt. These budget and planning assumptions form a critical link in determining the applicability and relevance of the budget as well as the determination of ratios and financial indicators. In addition the funding compliance assessment is informed directly by forecasting the statement of financial position.

Table 11 MBRR Table A7 - Budgeted Cash Flow Statement

NC071 Ubuntu - Table A7 Budgeted Cash Flows											
Description	Ref	2012/13	2013/14	2014/15	Current Year 2015/16				2016/17 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2016/17	Budget Year +1 2017/18	Budget Year +2 2018/19
R thousand											
CASH FLOW FROM OPERATING ACTIVITIES											
Receipts											
Property rates, penalties & collection charges		3 634	2 500	6 002	4 130	5 520	5 520	5 520	18 379	19 713	21 217
Service charges		9 596	11 155	9 497	13 877	14 572	14 572	14 572	11 245	11 912	12 846
Other revenue		15 245	10 378	1 366	21 935	22 101	22 101	22 101	9 860	11 655	12 454
Government - operating	1	22 471	25 193	28 376	31 330	31 340	31 340	31 340	30 585	30 442	32 637
Government - capital	1	11 510	19 254	9 655	43 489	8 322	8 322	8 322	9 514	13 098	11 914
Interest		2 341	1 972	2 902	1 952	2 300	2 300	2 300	3 395	3 608	3 822
Dividends									-	-	-
Payments											
Suppliers and employees		(54 937)	(57 371)	(44 483)	(68 495)	(62 233)	(62 233)	(62 233)	(71 827)	(67 733)	(73 194)
Finance charges		(972)	(900)	(1 491)	(532)	(887)	(887)	(887)	(1 482)	(1 547)	(1 598)
Transfers and Grants	1	(141)	-	-	(182)	(182)	(182)	(182)	(193)	(204)	(217)
NET CASH FROM/(USED) OPERATING ACTIVITIES		8 747	12 180	11 824	47 502	20 851	20 851	20 851	9 476	20 943	19 883
CASH FLOWS FROM INVESTING ACTIVITIES											
Receipts											
Proceeds on disposal of PPE		2	204	27		100	100	100	-	-	-
Decrease (increase) in non-current debtors		-	-	-		-	-	-	-	-	-
Decrease (increase) other non-current receivables		(355)	(274)	432		-	-	-	-	-	-
Decrease (increase) in non-current investments		(95)	(88)	(97)	(89)	(77)	(77)	(77)	-	-	-
Payments											
Capital assets		(8 864)	(12 196)	(11 191)	(43 489)	(10 322)	(10 322)	(10 322)	(9 514)	(13 098)	(11 914)
NET CASH FROM/(USED) INVESTING ACTIVITIES		(9 312)	(12 354)	(10 830)	(43 578)	(10 299)	(10 299)	(10 299)	(9 514)	(13 098)	(11 914)
CASH FLOWS FROM FINANCING ACTIVITIES											
Receipts											
Short term loans		-	-	-			-	-	-	-	-
Borrowing long term/refinancing		-	867	-			-	-	-	-	-
Increase (decrease) in consumer deposits		31	14	12	14	15	15	15	-	-	-
Payments											
Repayment of borrowing		(378)	(482)	(471)	(513)	(513)	(513)	(513)	39	41	44
NET CASH FROM/(USED) FINANCING ACTIVITIES		(346)	399	(460)	(499)	(498)	(498)	(498)	39	41	44
NET INCREASE/ (DECREASE) IN CASH HELD		(912)	225	535	3 425	10 055	10 055	10 055	1	7 886	8 012
Cash/cash equivalents at the year begin:	2	488	(423)	(198)	(1 392)	2 320	2 320	2 320	564	565	8 452
Cash/cash equivalents at the year end:	2	(423)	(198)	336	2 033	12 374	12 374	12 374	565	8 452	16 464

Explanatory notes to Table A7 - Budgeted Cash Flow Statement

1. The budgeted cash flow statement is the first measurement in determining if the budget is funded.
2. It shows the expected level of cash in-flow versus cash out-flow that is likely to result from the implementation of the budget.

Table 12 MBRR Table A8 - Cash Backed Reserves/Accumulated Surplus Reconciliation

NC071 Ubuntu - Table A8 Cash backed reserves/accumulated surplus reconciliation											
Description	Ref	2012/13	2013/14	2014/15	Current Year 2015/16				2016/17 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2016/17	Budget Year +1 2017/18	Budget Year +2 2018/19
R thousand											
<u>Cash and investments available</u>											
Cash/cash equivalents at the year end	1	(423)	(198)	336	2 033	12 374	12 374	12 374	565	8 452	16 464
Other current investments > 90 days		0	1 047	1 983	(1 469)	(11 810)	(11 810)	(11 810)	(0)	–	–
Non current assets - Investments	1	1 617	1 705	1 802	1 879	1 879	1 879	1 879	1 879	1 879	1 879
Cash and investments available:		1 194	2 553	4 122	2 444	2 444	2 444	2 444	2 445	10 331	18 344
<u>Application of cash and investments</u>											
Unspent conditional transfers		3 363	7 396	2 372	1 396	1 396	1 396	1 396	1 396	1 396	1 396
Unspent borrowing		–	–	–	–	–	–	–	–	–	–
Other working capital requirements	3	(1 393)	2 916	16 106	12 309	12 287	12 287	12 287	16 802	17 445	18 429
Other provisions		–	–	–	–	–	–	–	–	–	–
Long term investments committed	4	–	–	–	–	–	–	–	–	–	–
Reserves to be backed by cash/investments	5	–	–	–	–	–	–	–	–	–	–
Total Application of cash and investments:		970	2 412	4 078	2 405	2 383	2 383	2 383	2 398	10 241	18 325
Surplus(shortfall)		223	142	44	39	61	61	61	47	90	18

References

1. Must reconcile with Budgeted Cash Flows
2. For example: VAT, taxation
3. Council approval for policy required - include sufficient working capital (e.g. allowing for a % of current debtors > 90 days as uncollectable)
4. For example: sinking fund requirements for borrowing
5. Council approval required for each reserve created and basis of cash backing of reserves

Other working capital requirements

Debtors	11 254	6 505	6 531	1 727	1 749	1 749	1 749	8 076	8 926	9 524
Creditors due	9 861	9 421	22 637	14 036	14 036	14 036	14 036	24 878	26 371	27 953
Total	1 393	(2 916)	(16 106)	(12 309)	(12 287)	(12 287)	(12 287)	(16 802)	(17 445)	(18 429)

Debtors collection assumptions

Balance outstanding - debtors	16 785	20 816	31 318	3 694	3 694	3 694	3 694	19 564	20 738	21 982
Estimate of debtors collection rate	67.0%	31.3%	20.9%	46.7%	47.3%	47.3%	47.3%	41.3%	43.0%	43.3%

Long term investments committed

Balance (Insert description; eg sinking fund)

Explanatory notes to Table A8 - Cash Backed Reserves/Accumulated Surplus Reconciliation

1. The cash backed reserves/accumulated surplus reconciliation is aligned to the requirements of MFMA Circular 42 – Funding a Municipal Budget.
2. In essence the table evaluates the funding levels of the budget by firstly forecasting the cash and investments at year end and secondly reconciling the available funding to the liabilities/commitments that exist.
3. The outcome of this exercise would either be a surplus or deficit. A deficit would indicate that the applications exceed the cash and investments available and would be indicative of non-compliance with the MFMA requirements that the municipality's budget must be "funded".
4. As part of the budgeting and planning guidelines that informed the compilation of the 2015/16 MTREF the end objective of the medium-term framework is to ensure the budget is funded and aligned to section 18 of the MFMA.
5. The current budget is not funded, due to a negative working capital requirement. The working capital requirement is negative due to the fact that current liabilities far exceed the current assets of the municipality.

Table 13 MBRR Table A9 - Asset

NC071 Ubuntu - Table A9 Asset Management							
Description	Ref	Current Year 2015/16			2016/17 Medium Term Revenue & Expenditure Framework		
		Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2016/17	Budget Year +1 2017/18	Budget Year +2 2018/19
R thousand							
CAPITAL EXPENDITURE							
Total New Assets	1	43 489	8 322	8 322	9 514	13 098	11 914
Infrastructure - Road transport		8 322	8 322	8 322	9 514	10 098	10 414
Infrastructure - Electricity		2 000	-	-	-	3 000	1 500
Infrastructure - Water		-	-	-	-	-	-
Infrastructure - Sanitation		-	-	-	-	-	-
Infrastructure - Other		33 167	-	-	-	-	-
Infrastructure		43 489	8 322	8 322	9 514	13 098	11 914
Community		-	-	-	-	-	-
Heritage assets		-	-	-	-	-	-
Investment properties		-	-	-	-	-	-
Other assets	6	-	-	-	-	-	-
Agricultural Assets		-	-	-	-	-	-
Biological assets		-	-	-	-	-	-
Intangibles		-	-	-	-	-	-
Total Renewal of Existing Assets	2	-	-	-	-	-	-
Infrastructure - Road transport		-	-	-	-	-	-
Infrastructure - Electricity		-	-	-	-	-	-
Infrastructure - Water		-	-	-	-	-	-
Infrastructure - Sanitation		-	-	-	-	-	-
Infrastructure - Other		-	-	-	-	-	-
Infrastructure		-	-	-	-	-	-
Community		-	-	-	-	-	-
Heritage assets		-	-	-	-	-	-
Investment properties		-	-	-	-	-	-
Other assets	6	-	-	-	-	-	-
Agricultural Assets		-	-	-	-	-	-
Biological assets		-	-	-	-	-	-
Intangibles		-	-	-	-	-	-
Total Capital Expenditure	4	-	-	-	-	-	-
Infrastructure - Road transport		8 322	8 322	8 322	9 514	10 098	10 414
Infrastructure - Electricity		2 000	-	-	-	3 000	1 500
Infrastructure - Water		-	-	-	-	-	-
Infrastructure - Sanitation		-	-	-	-	-	-
Infrastructure - Other		33 167	-	-	-	-	-
Infrastructure		43 489	8 322	8 322	9 514	13 098	11 914
Community		-	-	-	-	-	-
Heritage assets		-	-	-	-	-	-
Investment properties		-	-	-	-	-	-
Other assets	6	-	-	-	-	-	-
Agricultural Assets		-	-	-	-	-	-
Biological assets		-	-	-	-	-	-
Intangibles		-	-	-	-	-	-
TOTAL CAPITAL EXPENDITURE - Asset class	2	43 489	8 322	8 322	9 514	13 098	11 914
ASSET REGISTER SUMMARY - PPE (WDV)	5						
Infrastructure - Road transport		40 820	40 820	39 352	46 466	53 864	61 578
Infrastructure - Electricity		20 620	20 620	18 620	17 870	20 120	20 870
Infrastructure - Water		31 952	31 952	31 952	30 802	29 652	28 502
Infrastructure - Sanitation		59 447	59 447	62 912	61 766	60 619	59 472
Infrastructure - Other		532	532	532	532	532	532
Infrastructure		153 371	153 371	153 368	157 435	164 787	170 954
Community		4 105	4 105	4 707	4 707	4 707	4 707
Heritage assets		-	-	-	-	-	-
Investment properties		23 110	23 110	23 110	23 085	23 060	23 035
Other assets		13 443	13 443	12 843	12 043	11 243	10 443
Agricultural Assets		-	-	-	-	-	-
Biological assets		208	208	208	208	208	208
Intangibles		-	-	-	-	-	-
TOTAL ASSET REGISTER SUMMARY - PPE (WDV)	5	194 236	194 236	194 236	197 479	204 005	209 348
EXPENDITURE OTHER ITEMS							
Depreciation & asset impairment		6 116	6 126	6 126	6 222	6 522	6 522
Repairs and Maintenance by Asset Class	3	1 000	1 230	1 230	1 626	1 724	1 827
Infrastructure - Road transport		22	122	122	62	65	69
Infrastructure - Electricity		240	240	240	299	317	336
Infrastructure - Water		13	13	13	187	198	210
Infrastructure - Sanitation		14	14	14	27	29	31
Infrastructure - Other		-	-	-	-	-	-
Infrastructure		289	389	389	575	609	646
Community		-	-	-	8	9	9
Heritage assets		-	-	-	-	-	-
Investment properties		-	-	-	-	-	-
Other assets	6, 7	711	841	841	1 044	1 106	1 173
TOTAL EXPENDITURE OTHER ITEMS		7 116	7 356	7 356	7 848	8 246	8 349
Renewal of Existing Assets as % of total capex		0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Renewal of Existing Assets as % of deprecn"		0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
R&M as a % of PPE		0.6%	0.7%	0.7%	0.9%	1.0%	1.0%
Renewal and R&M as a % of PPE		1.0%	1.0%	1.0%	1.0%	1.0%	1.0%

Explanatory notes to Table A9 - Asset Management

1. Table A9 provides an overview of municipal capital allocations to building new assets and the renewal of existing assets, as well as spending on repairs and maintenance by asset class.
2. National Treasury has recommended that municipalities should allocate at least 40 per cent of their capital budget to the renewal of existing assets, and allocations to repairs and maintenance should be 8 per cent of PPE. The Municipality does not meet both these recommendations.

Table 14 MBRR Table A10 – Basic

Service Delivery Measurement

NC071 Ubuntu - Table A10 Basic service delivery measurement										
Description	Ref	2012/13	2013/14	2014/15	Current Year 2015/16			2016/17 Medium Term Revenue & Expenditure Framework		
		Outcome	Outcome	Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2016/17	Budget Year +1 2017/18	Budget Year +2 2018/19
Household service targets	1									
Revenue - cost of subsidised services provided (R'000)	9									
Property rates (tariff adjustment) (impermissible values per section 17 of MPRA)	6									
Property rates - exemptions, reductions and rebates and impermissible values in excess of section 17 of MPRA)		489	506	674	714	714	714	667	707	749
Water (in excess of 6 kilolitres per indigent household per month)		660	633	922	948	948	948	6 810	7 219	7 652
Sanitation (in excess of free sanitation service to indigent households)		1 153	1 261	994	1 272	1 272	1 272	-	-	-
Electricity/other energy (in excess of 50 kwh per indigent household per month)		638	653	831	770	770	770	-	-	-
Refuse (in excess of one removal a week for indigent households)		1 161	1 078	1 002	1 102	1 102	1 102	12 400	13 392	14 464
Municipal Housing - rental rebates										
Housing - top structure subsidies										
Other										
Total revenue cost of subsidised services provided		4 101	4 131	4 423	4 807	4 807	4 807	19 877	21 318	22 865
References										
1. Include services provided by another entity; e.g. Eskom										
2. Stand distance <= 200m from dwelling										
3. Stand distance > 200m from dwelling										
4. Borehole, spring, rain-water tank etc.										
5. Must agree to total number of households in municipal area (informal settlements receiving services must be included)										
6. Include value of subsidy provided by municipality above provincial subsidy level										
7. Show number of households receiving at least these levels of services completely free (informal settlements must be included)										
8. Must reflect the cost to the municipality of providing the Free Basic Service										
9. Reflect the cost to the municipality in terms of 'revenue foregone' of providing free services (note this will not equal 'Revenue Foregone' on SA1)										

Part 2 – Supporting Documentation

2.1 Other supporting documents

Other supporting documentation to support main budget tables is included in the A-Schedule accompanying this report.

2.2 Manager's quality certificate

I, Municipal Manager of Ubuntu Municipality, hereby certify that the annual budget and supporting documentation have been prepared in accordance with the Municipal Finance Management Act and the regulations made under the Act, and that the annual budget and supporting documents are consistent with the Integrated Development Plan of the municipality.

Print Name _____

Municipal Manager of Ubuntu Municipality

Signature _____

Date _____

Part 3 – Appendices

3.1 Appendix A – Tariff Listing

Refer to Appendix A attached.

3.2 Appendix B – SDBIP

Refer to Appendix B attached.